UNITED NATIONS **DP**

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/FPA/1997/4
4 November 1996

ORIGINAL: English

First regular session 1997
13 - 17 January 1997, New York
Item 3 of the provisional agenda
UNFPA

UNITED NATIONS POPULATION FUND

Audit Reports

1. As stipulated in UNFPA Financial Regulation 17.1 (c), the Executive Director wishes to bring to the attention of the Executive Board the comments made, and actions taken, in response to the recommendations contained in the Report of the United Nations Board of Auditors on the United Nations Population Fund for the biennium ended 31 December 1995 (A/51/5/Add.7). In addition to its audit of the accounts and financial transactions of UNFPA, the Board of Auditors also examined (a) UNFPA's planning, support and evaluation of national project execution; (b) UNFPA's technical support services (TSS) arrangements; (c) the procedures for managing interregional projects; and (d) UNFPA's selection, management and evaluation of consultants.

2. In accordance with UNFPA Financial Regulation 17.1(b), the summary statements of funds allocated to United Nations specialized agencies in 1995 were submitted to the third regular session of the Executive Board in 1996 in the Fund's annual financial review, 1995 (document DP/FPA/1996/22 and Corr.1).

3. The annex to document A/51/5/Add.7 shows the follow-up action taken in respect of the recommendations of the Board of Auditors for the 1992-1993 biennium. The implementation of previous recommendations is also reviewed in paragraphs 7 to 9 of the Board's report. Set out in the tables below are the steps taken by the Executive Director to date to address the concerns and issues raised by the Board of Auditors in their recommendations for the 1994-1995 biennium.

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Recommendation

4. The Executive Board may wish to take note of the report provided by the Executive Director on the measures taken or planned to implement the recommendations of the Board of Auditors for the biennium 1994-1995, as contained in document A/51/5/Add.7.

Recommendations	*Follow-up Action*	*Current Status/Comments*
Trust Funds 1. UNFPA should adhere more closely to the requirement that trust fund activities only be initiated on a fully funded basis (para. 52).	UNFPA will increase its efforts to comply with this requirement.	This requirement has been adhered to except for one case with a negative balance of $3,748 as of 30 June 1996. We have been in touch with the funding organization for immediate payment.
National Execution		
2. UNFPA should make a more systematic assessment of country needs to ensure that it can respond in a well-planned and effective manner. It should also set strategic targets for the implementation of national execution (paras. 68-69).	As of 2 October 1996, UNFPA has established a Task Force on Policies and Procedures to assist the Fund in preparing and issuing guidelines relevant to its future operations. In this context, a national execution guide and strategy paper will be prepared. The staff training programmes will be redesigned accordingly. UNFPA is also encouraging the formulation of a programme management framework within its country programmes, which will address the issue of national capacities and execution modalities.	UNFPA has started reviewing the existing guidelines related to national execution with a view to updating and revising them. In addition, UNFPA has initiated consultations with UNDP which is also developing guidelines.
3. UNFPA should determine the role and responsibilities of field staff in relation to national execution and then plan the training and resources required to equip the field offices to fulfil their tasks (para. 73).	A Senior Management Adviser has reviewed field office capacity between November 1995 and April 1996 and will provide recommendations to UNFPA management for strengthening field offices. Moreover, an evaluation of the UNFPA training programme is underway.	The evaluation of the UNFPA staff training programme will be completed in early 1997.
4. UNFPA should finalize and issue the draft guidelines on the selection and assessment of institutions for national project execution (para. 74).	The Task Force on Policies and Procedures will oversee the production and completion of all relevant guidelines.	
5. UNFPA should evaluate its progress on implementing national execution; the methods used to enhance national capacity; and compare the effectiveness of national project execution with agency or other execution (para. 82).	UNFPA has initiated a thematic evaluation of executing agency modalities which will assess management and technical tasks carried out by agencies in order to assist UNFPA in fulfilling its mandate. UNFPA will also undertake a study on absorptive capacity and utilisation of financial resources among recipient countries, particularly in Africa in order to identify constraints and recommend operational measures.	The thematic evaluation and the absorptive capacity study will be completed by February 1997.

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Recommendations	*Follow-up Action*	*Current Status/Comments*
Technical Support Services Arrangements		
6. UNFPA should develop appropriate indicators of capacity building and of the impact of country support teams on programmes and projects (para. 93).	In the process of further developing the workplan for the CSTs and the semi-annual progress reports, UNFPA will consider how the impact of CSTs on programmes and projects can be measured.	
7. UNFPA should review the scope for extending the use of consultants in a country support role in order to gain access to fresh skills, as well as reduce costs (para. 95).	The Guidelines on Technical Support Services (TSS) have been revised and include a stronger focus on the first level of expertise, namely national consultants, to be involved in technical back-stopping.	The revised TSS Guidelines are currently being reviewed by the specialized agencies and should be issued by early 1997.
8. UNFPA should establish and periodically review countries' needs and ensure that country support teams' (CSTs) resources are adjusted accordingly (para. 101).	UNFPA has established a Field Unit under the direct supervision of the Deputy Executive Director (Programme), which will ensure closer coordination between country needs and CST resources.	These issues are reviewed annually by the Inter-Agency Task Force on the TSS arrangements.
9. UNFPA should review the CST offices' running costs and exercise tight control, including establishing performance targets and measures to provide standards against which CST offices can compare their costs (para. 106).	The establishment of a Field Unit under the direct supervision of the Deputy Executive Director (Programme) will ensure that the budgets of the CST offices are coordinated for better comparison of costs. UNFPA will also develop operational guidelines addressing priority issues for the CSTs so as to clearly indicate what is expected of them.	The operational guidelines are currently being drafted and should be issued by early 1997.

Recommendations	*Follow-up Action*	*Current Status/Comments*
Management of Interregional Projects		
10. UNFPA should give more consideration to whether an agency is best suited for a project, whether all the alternatives have been assessed and the most cost-effective approach chosen (para. 112).	The thematic evaluation of execution modalities, currently underway, will include an assessment of the effectiveness of executing agencies and will provide UNFPA with the information required to improve the selection process.	The evaluation missions will be conducted during November 1996. The final report will be issued during the first quarter of 1997.
11. UNFPA needs to take a more proactive role in formulating projects, setting out the requirements for meeting UNFPA's overall objectives and those of the intercountry programme (para. 114).	UNFPA has taken on a more proactive role in linking the 1996-1999 intercountry programme to country needs and has implemented a new process for the collective review of regional and interregional projects by the UNFPA Programme Review Committee (PRC). This approach has been effective in enhancing complementarity of activities at global and regional levels. The PRC forum with the participation of the Geographical Divisions (which have responsibility for country activities) also provides the opportunity of obtaining advice and comments in terms of the eventual use and relevancy of the outputs of the proposals to the countries.	
12. Where appropriate, UNFPA should use baseline studies to identify the need and the potential recipients of the project; and, where possible, UNFPA should set out a project's objectives in clearly quantifiable and qualitative terms (para. 114).	The Task Force on Policies and Procedures will ensure revisions of UNFPA's programming guidelines as a priority task. The use of baseline studies and the clearer definition of quantitative and qualitative project objectives will be emphasized.	
13. There should be more active involvement by the project officer in obtaining independent evidence of the project's progress, its quality, whether it is reaching the intended recipients and whether the objectives are being achieved (para. 118).	The role of the project officer in monitoring activities will be reviewed with a view to strengthening their involvement. Moreover, guidelines have been drafted which specify the role of each unit in the Technical and Evaluation Division in the monitoring of interregional projects. As a result, a more systematic process is being established and will improve the backstopping of interregional projects.	

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Recommendations	*Follow-up Action*	*Current Status/Comments*
Selection and Use of Consultants		
14. UNFPA's Division of Personnel should set clear criteria for consultants' Terms of Reference and ensure that they are met (para. 126).	On 3 July 1996, UNFPA issued criteria to clarify the preparation of consultants' terms of reference. Moreover, on 16 September 1996, UNFPA issued a checklist to all Divisions to guide them in preparing and reviewing requests for hiring of international consultants. The checklist includes an item on terms of reference.	
15. UNFPA should make increased use of its international roster and maintain it with up-to-date information (para. 131).	UNFPA has instructed its Country Support Teams and Geographical Divisions to ensure the inclusion of all consultants in its international roster and to improve the management of the roster by the Technical and Evaluation Division.	UNFPA will constitute an interdivisional working group to review the use of Special Service Agreements, including the design and standardized use of the consultants' roster, identification based on the technical assessment by TED and selection process and procedures, areas and actions which could be decentralized, SSA contract management, and assessment of performance, and to make recommendations for future recruitment.
16. UNFPA should review its selection procedures for consultants to secure a wider consideration of candidates (para. 133).	The improved management of the consultants' roster will assist UNFPA staff in ensuring a wider consideration of candidates for Special Service Agreements. The working group on the use of Special Service Agreements will also review the selection and assessment of international consultants.	
17. Evaluating officers should be required to give greater attention to the completion of assessment forms and that, as a minimum, the consultants' strengths and weaknesses should be identified (para. 135).	UNFPA will revise its forms for tighter management of the performance assessment of consultants. This issue will also be reviewed further by the interdivisional working group, to be lead by the UNFPA Personnel Branch.	